

**60<sup>th</sup>**  
**Annual Report**  
**2005 - 2006**



**HARDCASTLE  
& WAUD  
MANUFACTURING  
COMPANY LIMITED**

**BOARD OF DIRECTORS**

B. L. JATIA

*Chairman & Managing Director*

N. S. KARNAVAT

HASMUKH GANDHI

TUSHAR G. AGARWAL

**BANKERS**

THE UNITED WESTERN BANK LTD

**AUDITORS**

MESSRS KHARE & CO.

**LEGAL ADVISORS**

KANGA & COMPANY

ADVOCATES, SOLICITORS & NOTARIES

**REGISTERED OFFICE**

NETIVALI BAUG, KALYAN- 421 306

**HEAD OFFICE**

BRABOURNE STADIUM

87, VEER NARIMAN ROAD

MUMBAI – 400 020

**WORKS**

1904, GIDC, SARIGAM - 396 155

DIST VALSAD (GUJARAT)

**REGISTRARS & TRANSFER AGENT**

SHAREPRO SERVICES (INDIA) PVT.LTD

912 RAHEJA CENTRE

FREE PRESS JOURNAL ROAD

NARIMAN POINT

MUMBAI – 400 021

**NOTICE**

Notice is hereby given that the 60th Annual General Meeting of Hardcastle & Waud Mfg Co. Ltd will be held at the registered office of the Company at Netivali Baug, Kalyan (East) – 421 306 on Saturday, the 30th September, 2006 at 10 a.m. to transact the following business:

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and the Auditors.
2. To appoint a Director in place of Mr N S Karnavat who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration.

**NOTES :**

1. A Compliance Certificate obtained from a Secretary in wholetime practice under Rule 3(1) of the Companies (Compliance Certificate) Rules, 2001 required to be laid in the annual general meeting is attached to and forms part of the Directors' Report.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. Proxies, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 29th September, 2006 to 30th September, 2006 (both days inclusive).
4. Members who have not collected their new share certificates so far are advised to do so by surrendering their old certificates for shares in the Company either in person or by sending through post to the Registrars & Transfer Agent of the Company, in their own interest.

**Registered Office :**

Netivali Baug,  
Kalyan – 421 306

By Order of the Board of Directors

**B. L. JATIA**  
Managing Director

Date: 31<sup>st</sup> July, 2006



## HARDCASTLE & WAUD MANUFACTURING COMPANY LIMITED

### DIRECTORS' REPORT

Your Directors present the 60th Annual Report of the Company, together with the audited Statements of Accounts for the year ended 31st March, 2006.

#### 1. FINANCIAL RESULTS AND APPROPRIATIONS

	Year ended 31st March, 2006 (Rs Lacs)	Year ended 31st March, 2005 (Rs Lacs)
Profit/(Loss) before Interest, Depreciation and Exceptional Items	1300.23	138.75
Interest	16.88	44.50
Depreciation	43.60	39.10
Exceptional Items	176.30	-
Prior year Adjustments	(5.90)	22.83
Profit/(Loss) Before Taxation	1069.35	32.32
Provision for Taxation	88.20	8.39
Deferred Tax	15.20	17.60
Fringe Benefit Tax	7.00	-
Net Profit/(Loss) after taxation	940.63	6.33
Balance b/f from Previous Year	215.92	209.59
Carried forward	1156.55	215.92

With a view to strengthen the financial position of the Company, no dividend payout is being recommended.

#### 2. OPERATIONS

As reported last year, the Company shifted its synthetic resin and insulating varnish manufacturing activity from Kalyan to Sarigam in Gujarat during the year and had suspended operations in its Coil Coating division. The Coil Coating Plant was ultimately closed down from 30th January, 2006. This resulted in a loss of Rs 372 lacs turnover more than offsetting the increase of almost 9% in the turnover of the Industrial Chemicals division. The net effect is a decline of 3% in the overall turnover to Rs 3370.43 lacs from last year's Rs 3489.30 lacs.

The long awaited consequential orders in the Company's Sales Tax appeals matter have been issued by the Gujarat Sales Tax Deptt. As a result, the provision of Rs 1303 lacs as liability therefor made in the past has been written back which has a direct bearing on the Company's financial results.

#### 3. PUBLIC DEPOSITS

No deposits were accepted during the year.

#### 4. DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mr N S Karnavat retires by rotation at the ensuing Annual General meeting but being eligible, offers himself for reappointment.

#### 5. AUDITORS

Members are requested to appoint auditors to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

#### 6. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Details of energy conservation, technology absorption and foreign exchange earnings and outgo as required by Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 appear in the Annexure to this Report.

#### 7. PARTICULARS OF EMPLOYEES

No employee of the Company is covered under the provisions of Section 217 (2 A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

#### 8. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 your Directors state that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- the accounting policies selected and applied are consistent and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- the annual accounts have been prepared on a going concern basis.

#### 9. SECRETARIAL COMPLIANCE REPORT

Copy of a certificate from a Secretary in whole-time practice certifying that the Company has complied with the provisions of the Companies Act, 1956 is annexed to this report.

#### 10. EMPLOYEE RELATIONS

Relations with employees during the year continued to be cordial.

#### 11. ACKNOWLEDGEMENTS

The Board sincerely thanks all stakeholders for their continued support.

On Behalf of the Board

Mumbai,  
31<sup>st</sup> July, 2006

B. L. Jatia  
Chairman & Managing Director



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**ANNEXURE TO THE DIRECTORS' REPORT**

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2006.

**A. CONSERVATION OF ENERGY**

- a. Appropriate measures to derive optimum benefit of energy-saving equipment and energy-efficient technology for the production processes are part of operational policy of the Company.

2005-2006 2004-2005

**b. Power & Fuel Consumption****i) Electricity****(a) Purchased -**

Units(000s)	305	418
Total Amount (Lac Rs)	16.96	23.01
Average Rate(Rs per Unit)	5.56	5.51

**(b) Own generation****(i) Through Diesel Generator**

Units(000s)	6	NIL
Units per litre of diesel oil	1.70	NIL
Cost/Unit (Rs)	18.62	NIL

**(ii) Through Steam**

Turbine/Generator	NIL	NIL
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**ii) Coal****iii) Furnace Oil**

Quantity (Kilolitres)	88	113
Total Amount (Lac Rs)	13.08	15.01
Average Rate (Rs per kilolitre)	14784	13229

**iv) Others**

Quantity (Kilolitres)	6	2
Total Amount (Lac Rs)	3.53	1.23
Average Rate (Rs per kilolitre)	56909	54250

**c. Consumption per unit of production**

Since the Company has different product lines with several formulations, it is not feasible to compute this figure.

**B. TECHNOLOGY ABSORPTION****Research & Development (R & D)****1. Specific areas in which R & D is carried on by the Company:**

The Company's R & D activities are aimed at developing new products/processes, product upgradation and cost reduction.

**2. Benefits derived as result of R & D**

The R & D activities have helped the Company in streamlining and improving its manufacturing processes and product quality, development of products for wider and newer applications, diversification, optimisation of product costs, rendering of technical services to customers and adoption and absorption of technology.

**3. Future Plan of Action**

The existing R & D activities will continue to be strengthened so as to enable the company to compete in the market place.

**4. Expenditure on R & D**

	2005-2006 Rs Lacs	2004-2005 Rs Lacs
a. Capital	0.89	0.03
b. Recurring	4.69	5.36
Total	5.58	5.39
c. Total R & D Expenditure as percentage of Turnover	0.17%	0.15%

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange earned and utilised was Rs 11.31 lacs and Rs 203.60 lacs respectively.

On Behalf of the Board

Mumbai,  
31<sup>st</sup> July, 2006

**B. L. JATIA**  
CHAIRMAN & MANAGING DIRECTOR

To

The Members

**Hardcastle & Waud Mfg Co. Ltd.**

I have examined the registers, records, books and papers of Hardcastle & Waud Mfg Co. Ltd as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31<sup>st</sup> March, 2006. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year :

- The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act, and the rules made thereunder and all entries therein have been duly recorded.
- The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Maharashtra within the time prescribed under the Act and the rules made thereunder.
- The Company is not a private limited company.
- The Board of Directors duly met 5 times on 30.4.2005, 22.8.2005, 31.10.05, 31.1.06 and 31.3.06 in respect of which meetings proper notices were given and the proceedings were properly recorded in the Minutes Book maintained for the purpose.
- The Company closed its Register of Members from 29.09.2005 to 30.09.2005 and necessary compliance of section 154 of the Act has been made.
- The annual general meeting for the financial year ended on 31<sup>st</sup> March, 2005 was held on 30<sup>th</sup> September, 2005 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in the minute book maintained for the purpose.
- No extra ordinary general meeting was held during the financial year.
- The company has not advanced any loan to its directors and/or persons or firms or companies referred to in section 295 of the Act.
- The Company has duly complied with the provisions of Section 297 of the Act in respect of contracts specified in that section.
- The company has made necessary entries in the register maintained under section 301 of the Act.
- No approvals of the nature specified in Section 314 of the Act were required to be obtained by the Company.
- The Board of Directors has duly approved through its duly constituted committee the issue of duplicate share certificates by the company.
- The Company:
  - has not made any allotment of securities during the said year. It has delivered all the certificates on lodgement thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act;
  - has not declared and/or paid any dividend;



## HARDCASTLE & WAUD MANUFACTURING COMPANY LIMITED

- (iii) has no amounts lying in unpaid dividend account for transfer to the Investor Education and Protection Fund; and
- (iv) has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointments of directors have been duly made.
15. The appointment of Managing Director was made in compliance with the provisions of Sections 269 read with Schedule XIII to the Act. The said appointment did not require approval of Central Government. However approval for payment of managerial remuneration to the Managing Director from the Central Government under Section 198(4) of the Companies Act, 1956 has been duly obtained.
16. The Company has not appointed any sole-selling agents.
17. The company has applied for and or obtained all necessary approvals of the Central Government, Company Law Board, Regional Director, Registrar and or any other prescribed authorities under the various provisions of the Act as detailed below-
1. Approval to Appointment of Cost Auditor
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The company has not issued any shares/debentures/ other securities during the financial year.
20. The company has not bought back any shares during the financial year ending 31<sup>st</sup> March, 2006.
21. The company has not issued/redeemed any preference shares/debentures during the year.
22. Since the Company did not declare any dividend, offered/issued any rights/ bonus shares during the year, the question of keeping in abeyance, rights thereto pending registration of transfer of shares does not arise.
23. The company has not accepted any deposits or taken any loans during the year within the meaning of sections 58A and 58AA read with the Companies (Acceptance of Deposit) Rules, 1975.
24. The amounts borrowed by the Company from directors, members, public, financial institutions, banks and others during the financial year ending 31.3.2006 are within the borrowing limits of the Company. These borrowings did not exceed the limits prescribed in Section 293(1)(d) of the Act.
25. The loans to/investments made in other bodies corporate are in compliance with the provisions of the Act and necessary entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year.
31. No prosecution has been initiated against or show cause notices received by the Company under the Act.
32. The Company has not received any security from its employees during the year under certification as per provisions of section 417(1) of the Act.
33. The Company has deposited both employees' and employer's contribution to Provident Fund with the prescribed authority pursuant to Sec.418 of the Act.
- Shailesh A. Kachalia**  
Place : Mumbai CP: 3888  
Date : 26<sup>th</sup> July, 2006 Company Secretary
- ANNEXURE A**
- Registers as maintained by the Company
1. Register of Charges u/s 143(1).
  2. Register of Members u/s 150.
  3. Index of Members u/s 151(1).
  4. Minutes Book of General Meetings u/s 193(1)
  5. Minutes Book of Board Meetings u/s 193(1)
  6. Books of Accounts u/s 209(1) including Register of Fixed Assets
  7. Register of Contracts u/s 301
  8. Register of Directors u/s 303
  9. Register of Directors' Shareholdings u/s 307.
  10. Register of Investments & Loans u/s 372 A
- Shailesh A. Kachalia**  
Place : Mumbai CP: 3888  
Date : 26<sup>th</sup> July, 2006 Company Secretary
- ANNEXURE B**
- Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended on 31<sup>st</sup> March, 2006.
1. Balance Sheet and Profit & Loss Account for the year ended 31.03.2005 filed u/s 220(1).
  2. Annual Return made upto 30.09.2005 (AGM) filed u/s 159(1).
  3. Compliance Certificate under Rule 3(2) of Companies (Compliance Certificate) Rules, 2001.
  4. Form 23 - Authority to the Board of Directors to reorganize the business of the Company, etc. u/s 293 (1)(a) read with Section 192A.
  5. Form 23 u/s 192 consent to contribute to charitable and other funds in excess of limits [S/292(1)(e)].
  6. Forms 8 and 13 relating to modification of charge created by the Company on its assets.
- Shailesh A. Kachalia**  
Place : Mumbai CP: 3888  
Date : 26<sup>th</sup> July, 2006 Company Secretary



**REPORT OF THE AUDITORS TO THE SHAREHOLDERS**

1. We have examined the attached Balance Sheet of Hardcastle & Waud Mfg. Co. Ltd as at 31st March 2006 and also the Profit & Loss Account and the Cash Flow Statement annexed thereto for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the aforesaid Annexure we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
  - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns received from the branches;
  - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) On the basis of our review of the confirmations made available to us from the companies in which the directors of the Company are directors and the information and explanations given to us, none of the directors of the Company is prima facie as at 31st March 2006 disqualified from being appointed as director of the Company under Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f) In our opinion, and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
  - ii) In the case of the Profit & Loss Account, of the Profit for the year ended on that date;
  - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Khare & Co.**  
Chartered Accountants  
**Y.P. Shukla**  
Proprietor

Place: Mumbai

Date: 30th June, 2006

Membership no 16203

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT TO THE MEMBERS OF HARDCASTLE & WAUD MFG CO. LTD ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006.**

We state that: -

- i) a) The Company has maintained proper records showing particulars including quantitative details and situation of fixed assets acquired subsequent to 1st January 1973. Records prior to that date are reported to be destroyed by fire;
- b) As explained to us, the aforesaid fixed assets have been physically verified by the Management at the end of the year and it has been reported to us that no material discrepancies have been noticed on such verification;
- c) The disposal of fixed assets of the company during the year and also the closure of its coil coating division at Kalyan after provision of Impairment of assets have not affected its activities as a going concern;
- ii) a) It is reported that the inventory has been physically verified by the management at the end of the year;
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;
- c) The Company has maintained proper records of inventory and as explained to us, the discrepancies noticed on physical verification of the inventory were not material;
- iii) a) The Company has not granted any loans secured or unsecured to companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956;
- b) The Company has taken unsecured loans aggregating to Rs. 879.85 lacs from four companies covered in the register maintained under Section 301 of the Companies Act, 1956;
- c) In our opinion and according to the information and explanations given to us,

the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company;

- d) The payments of the principal amounts and interest thereon are regular;
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. In our opinion, there is no continuing failure to correct major weaknesses in the internal control system;
- v) a) According to the information and explanations given to us, all transactions during the year that needed to be entered in the register maintained U/s 301 of the Companies Act, 1956 have been so entered;
- b) According to the information and explanations given to us, these transactions have been made at prices which are reasonable having regard to prevailing market prices at the relevant time where such market prices are available;
- vi) The Company has not accepted any deposits from the public;
- vii) In our opinion the internal audit system of the Company is commensurate with its size and nature of its business;
- viii) We have broadly reviewed the books of accounts and other records maintained by the Company in respect of Synthetic Resins and Varnishes where pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate and complete;
- ix) a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other statutory dues have been generally regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2006 for a period of more than six months from the date of becoming payable;
- b) Disputed Statutory dues aggregating to Rs. 15.81 lacs that have not been deposited on account of disputes and matters pending before appropriate authorities are as under:-

Nature of Dues	Forum where dispute is Pending	Amount involved Rs. Lacs
Central Excise	Commissioner of Central Excise (Appeals), Mumbai	10.42
Sales Tax	Deputy Comm of ST (Appeals-I), Mumbai	2.42
Sales Tax	Asst. Comm. (Appeals), Chennai	1.05
Sales Tax	Asst. Comm of Comm Tax, Kolkata	1.92

- x) The Company has no accumulated losses and has not incurred cash loss during the financial year under report or the immediately preceding financial year;
- xi) According to the information and explanations given to us, the Company has not made any default in repayment of dues to banks. There are no borrowings from financial institutions and through debentures;
- xii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans on the basis of security by way of pledge of shares, debentures or other securities;
- xiii) The Company is not a not-for-profit mutual benefit fund/society;
- xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments;
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loan taken by others from banks or financial institutions;
- xvi) According to the information and explanations given to us, no term loans were obtained by the company during the year;
- xvii) In our opinion, according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment;
- xviii) According to the information and explanations given to us, the Company has not made any allotment of shares during the year;
- xix) According to the information and explanations given to us, the Company has not issued any debentures and hence the question of creating security or charge therefor does not arise;
- xx) During the year under report, no public issue has been made by the Company;
- xxi) To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For Khare & Co.**  
Chartered Accountants

**Y. P. Shukla**  
Proprietor

Place : Mumbai

Date : 30<sup>th</sup> June, 2006

Membership no 16203